



LOS ANGELES UNIFIED SCHOOL DISTRICT
All Youth Achieving

Office of the Inspector General



Annual Report to the Board of Education

Fiscal Year 2012

LOS ANGELES UNIFIED SCHOOL DISTRICT

Office of the Inspector General

VISION

The OIG is an agent for positive change that strives for continuous improvement of the functions of District management, programs and operations.

MISSION

The OIG promotes integrity and credibility in the District by conducting audits, reviews and investigations to detect and prevent waste, fraud and abuse, and to identify opportunities for improving efficiency and effectiveness.

CORE VALUES

Accountability

Efficiency

Integrity





Los Angeles City Board of Education Office of the Inspector General

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Alfred Rodas
Inspector General, Interim

September 7, 2012

Members, Board of Education:

I am pleased to submit to you the Office of the Inspector General's (OIG) Annual Report summarizing our activities and accomplishments for FY 2012. The OIG exists to help promote a culture of excellence, accountability, transparency, integrity, and to perform work that will help the District in the achievement of its core mission.

The current state of both the U.S. and California State economies has increased the expectations that the public has for the effective and efficient operation of government entities and the responsible and proper use of public funds and resources. In this regard, the OIG is committed to doing work that is relevant and valuable and that supports oversight, continuous improvement, and effective decision making at the District.

During FY 2012, the OIG issued 160 reports which collectively identified \$16,125,968 in monetary benefits, including questioned costs. A significant portion of these questioned costs are now the basis for claims against third parties for the potential recovery of funds. Our reports also described many actions that District management can take to strengthen controls, improve operations, manage risks and oversee contract activities more effectively. We also issued 89 due diligence reports to help District management with employment and contract evaluations.

The OIG experienced significant changes in its operations during FY 2012 as part of a restructuring initiative. Those changes focused our energies on exploring new ways to maximize our relevance and value and to perform our function with greater efficiency.

On behalf of all OIG staff, I would like to thank the Board for its continued support.

Alfred Rodas
Inspector General, Interim

About the Office of the Inspector General

The Board of Education of the Los Angeles Unified School District created the Office of the Inspector General in 1998, and the State legislature granted it certain statutory authorities and powers in 2000 and in 2005.

The OIG reports directly to the Board of Education. We conduct independent audits, reviews and investigations of District operations, contracts and vendors in order to:

- ✓ Find ways to improve processes, programs, functions and activities
- ✓ Provide information that supports effective decision making
- ✓ Identify real or potential misuse of District resources
- ✓ Prevent and detect waste, fraud and abuse within the District

Through our work, we strive to encourage a culture of accountability, transparency, collaboration and excellence and to assist the Board of Education and the Superintendent in their efforts to provide a high quality education for the students and parents of the Los Angeles Unified School District.

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A. EXECUTIVE SUMMARY

In Fiscal Year 2012 (FY 2012), there were continued changes within the Office of the Inspector General. There were some staff reductions and some infrastructure and policy changes that were the result of a reorganization effort that was initiated in FY 2011 and that continued in FY 2012. At the conclusion of FY 2012, one Inspector General retired and another was appointed in his place on an interim basis.

In FY 2012, two external reviews of certain OIG operations were performed; one by the Association of Local Government Auditors (ALGA) and one by Core Integrity Group. Each of these reviews had a different objective. The purpose of the ALGA review was to determine whether the OIG's Internal Audit Unit was in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. The ALGA review was a peer review and found that the OIG Internal Audit Unit was in full compliance.

The Core Integrity Group review was the result of a Board of Education (Board) request for an external independent assessment of OIG operations. The Board wanted to have a better understanding of the function and effectiveness of the OIG and asked the Inspector General to procure an outside agency to conduct an assessment of the office. This external assessment was not intended to be an audit, investigation, or peer review. Instead, it was designed to provide observations and recommendations related to OIG planning, organization, staffing, reporting, and stakeholder relationships based on Core Integrity Group's experience and knowledge of best practices in the federal, state, and municipal Inspector General community.

Both of these reviews provided important insights and suggestions on how the OIG could enhance its operations and be more effective. Many of the suggested changes were thoughtfully considered and adopted in some manner last year. Consideration of the remaining open recommendations will continue in FY 2013 and reasonable and diligent efforts will be made to adopt those that have the greatest potential to maximize OIG effectiveness in meeting its mission.

Last year the OIG completed 44 internal audit reports, which focused on District processes, programs, and functions, 71 contract audit reports which focused primarily on the activities of District contractors and vendors, 9 reports of investigation and 36 case memorandums which examined instances of alleged waste, fraud and abuse, and 89 due diligence reports to help District management with employment and contract evaluations.

FY 2012 was a year of change and transition. The OIG will build on the progress made in that year and continue to seek ways to better serve all District stakeholders.

B. HIGHLIGHTS OF WORK PERFORMED AND BENEFITS PROVIDED

Internal Audit Activities

In FY 2012, internal auditing activities included the reemergence of performance audits in the Facilities Services Division's New School Construction and Repair & Modernization Program. Audit coverage was also given to other core areas such as special education, information technology, textbooks, non-public schools, and school financial operations. The Internal Audit Unit conducted performance audits to provide objective analysis to assist District Management and the Board of Education and to improve program performance and operations. Internal auditing activities have the potential to bring various positive results to the District such as

- ❑ Providing objective findings and data that can facilitate decision-making by those charged with responsibility to oversee corrective action
- ❑ Reducing costs
- ❑ Providing feedback on new initiatives related to internal controls
- ❑ Contributing to public accountability

Some examples from FY 2012 where our work supported these themes follow:

Facilitated decision-making: In the audit of the **Textbook Ordering Process**, we identified excessive ordering of textbooks based on projected enrollment levels, lack of oversight in ordering multi-pack textbooks, and the purchase of Non-District adopted textbooks. Management agreed to implement justification letters, scrutinize the validity of enrollment projections as well as the ordering of multi-pack books, and to remind staff of the requirement that an approved exception must be obtained to order non-District adopted textbooks.

In the audit of the **Non-Public School and NPA Expenditure Projections**, we found that the Non-Public School Department did not use Individual Service Agreements as the documentation control to estimate expenditure projections for NPS/NPA special education and related services. As a result of this finding, the Special Education Division will implement necessary changes in the Welligent information system to consider this information in the estimation process.

In the audit of the **Lease Reduction Plan**, we provided assurance to District Management that the Lease and Space Utilization Unit had adequate controls to achieve the goals of the lease reduction plan, which should save several millions of dollars in general funds, provided that the internal controls continue to function as intended.

In the audit of the critical process of **Student Health – Nursing Services**, we brought to the attention of Management that some Health Offices at school sites did not meet the minimum health and safety standards as cited in the California Code of Regulations to provide health services to students. Nursing Services Management agreed with the finding and stated that it would send out a reminder to all nursing staff and school principals of the necessity to be in compliance with health and safety standards.

In the system application audit of the **Project Estimates at Completion System**, we found that control activities could be strengthened by incorporating specific additional preventative and detective system edit controls to ensure data integrity. The Project Estimates at Completion System is a vital indicator of a construction project's cost and assists the project team in revising work priorities or re-planning remaining tasks on the project schedule. Management agreed with most of our recommendations and implemented most of them even before we completed the audit.

New initiatives: Prior to the beginning of the current Legacy Replacement Program Project, the District invested in a **SAP Governance Risk and Compliance (GRC) system** to significantly improve its IT security architecture. Management wanted to implement the GRC module to help eliminate incompatible duties and inappropriate system access for employees District wide. In this audit, we found that there was no single overall business owner for the GRC tool and for the overall management of segregation of duties and mitigating controls. ITD Management agreed with all recommendations related to identifying an overall business owner, customization of the GRC rule set, and monitoring of segregation of duties issues.

Public accountability: In this performance audit of the **Change Order Process** we found that controls over the bidding and contract award process for construction projects needed to be strengthened in order to ensure the existence of a competitive contracting environment. Our audit led us to conclude that the District was at an increased risk of receiving and selecting a less than realistic bid for a contract award and needed to scrutinize the lowest bid more carefully in the future before awarding a contract. This was due to the overwhelming amount of bids that the District received as a result of the increased amount of bids over the last 3 years.

We audited the critical area of **Special Education Funded School Based Personnel – Part B (Regular Schools)** and found that the Special Education Fund had been overcharged because the payroll system showed more special education hours than what was reported in Sign-in/Sign-out timecards. Special Education Management agreed with the findings and responded by collaborating with other key stakeholders to arrive at a cross-departmental response to resolve this and other issues noted in the report.

In our audit of another critical process, **Emergency Preparedness of New Schools**, we found that some school complexes that opened in 2011 were not adequately prepared with supplies or didn't comply with necessary emergency procedures in case of emergencies. The Office of Emergency Services agreed to take corrective action to ensure that all new schools were in compliance.

Reducing Costs: Internal auditing activities identified approximately \$2.6 million in potential monetary benefits for the District. This amount consisted of potential cost savings and questioned costs identified in various audits.

In FY 2012, District staff agreed with **98%** of all Internal Audit recommendations.

Contract Audit Activities

During FY 2012, the OIG conducted contract audits with a total value of \$632 million and issued 71 reports. The audits identified questioned costs and potential District savings of over \$13.2 million. Some contract audit projects that supported the New School Construction and Repair & Modernization Program during FY 2012 are summarized below.

Supporting New Schools:

We audited contracts with **Hensel Phelps Construction Company** for Phase 1 construction of *Central Los Angeles Learning Center #1 K-5* valued at \$84,989,100, and Phase 2 construction of *Central Los Angeles Learning Center #1 MS/HS* valued at \$321,016,171. We found that one of the subcontractors filed a claim for cost overruns on the project in the amount of \$1,635,811. As a result of our audit efforts, the District executed a full and final settlement agreement with the contractor for a total amount of \$205,000 to resolve this claim.

We also audited the contract with **Clark Construction Group** to develop and construct *East Los Angeles High School #2* in accordance with the District prepared and adopted plans and specifications pursuant to California Education Code Section 17406. Our audit found that the contractor completed the required scope of work and the audit also identified \$32,947 in cost savings.

The **School Occupancy Transition Unit (SOTU)** is a department within the FSD that plans and coordinates the purchase, delivery and setup of furniture and equipment for new schools. We conducted a performance audit of SOTU and noted that: i) SOTU did not close-out approximately 80.5% of completed projects within 120 days as required and stipulated in SOTU's policies and procedures; and ii) SOTU did not maintain accurate and current unspent fund balances for closed projects. We made recommendations to correct these process gaps.

Supporting School Repair & Modernization:

We conducted an inventory audit of cafeteria equipment procured by three **Job Order Contract (JOC) Food Services Modernization Program** contractors for the upgrade of 64 middle and high school cafeterias. This audit disclosed that a significant amount of units were unaccounted for and excess equipment was ordered as a result of poor project management. There was \$385,779 worth of equipment that the District did not receive, \$362,755 worth of equipment that could not be accounted for and \$1,563,777 worth of equipment that was not utilized or installed at any of the 64 school locations. We recommended that i) the District recover the \$385,779 from the contractors, ii) Food Services Branch (FSB) account for the missing equipment, and iii) the JOC Contract Unit and FSB identify current stock of equipment prior to purchasing any additional similar equipment.

We also performed an engagement to assist the District in assessing the overall **Waterless Urinal** installation experience in 17 selected schools. As a result, we reported to FSD the following: 1) there was a lack of training on maintenance of waterless urinals; 2) no budgets were set aside for maintenance costs; 3) waterless urinals do not generate significant savings per our analysis on traditional vs. waterless urinals; 4) waterless urinals are not “kid friendly;” and 5) the average satisfaction rating on waterless urinals is 5 out of 10.

Supporting Facilities and Bond Related Programs:

We conducted a performance audit of the **Job Order Contracting (JOC) Program**. JOC is a contracting procedure that allows for the awarding of competitively bid job order contracts based upon pre-established unit prices. The California Public Contracting Code (Code) indicates that JOC should be used for the purposes of reducing project costs and expediting project completion. The District’s JOC program is a pilot program for California School Districts, with a sunset date of December 2012. The State Legislature will assess any further exemptions to the school contracting process based on its evaluation of the District’s JOC program.

We found that there were a number of deficiencies in the implementation of the JOC program mainly due to: i) non-compliance with some of the statutory mandates, ii) a lack of adequate internal controls, checks and balances, and iii) a lack of clearly defined management responsibilities. We recommended a number of steps to address the issues raised in our audit and most of them are being implemented by the District.

Investigative Activities

The Investigations Unit responds to allegations of waste, fraud and abuse that involve employees, contractors or entities doing business with the District. Investigations are designed to detect and prevent fraud and malfeasance by individuals as well as identify systemic weaknesses in District programs. Most of the investigative workload results from the receipt of allegations of improper activity made directly to the OIG. The remaining workload consists of proactive projects designed to prevent waste, fraud and abuse. The California Education Code requires that every investigation, including all investigative files and work product, be kept confidential.

FY 2012 was a period of transition for the Investigations Unit. At the commencement of the fiscal year, the former Deputy Inspector General, Investigations job classification was discontinued and the Special Assistant to the Inspector General became the only manager within the Investigations Unit and the primary contact with District staff, particularly senior management. At the end of the fiscal year, the Special Assistant to the Inspector General job classification was discontinued and since that time the Unit has been managed by a newly created position titled Supervising Investigator. The Investigations Unit staff consists of investigators, a forensic accountant, an investigative assistant, and a part-time administrative staff person.

During FY 2012, the Investigations Unit received 314 Hotline calls, most of which required some level of follow-up. Hotline calls can result in the opening of an investigation by the OIG or the referral of the allegation to another District department that is more suited to handle the matter.

In FY 2012, the Investigations Unit issued 9 Reports of Investigation and 36 Case Memorandums. There were 27 other investigative matters that were still in progress at the end of the fiscal year. Case memorandums are issued when it is determined that the facts of the case do not warrant a full investigation.

The Investigations Unit also issued a total of 89 due diligence reports related to charter schools, executive level employment and contract and procurement matters. Due diligence reports are public record investigations requested by various District offices and divisions. Due diligence reports help to reduce the risks of doing business, improve contract and employment decisions, help to avoid costly liability situations, and promote greater accountability and effectiveness.

Finally, the Investigations Unit issued 4 subpoenas to obtain testimonial evidence and financial and business records. The Inspector General is authorized by state statute to subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information that reasonably relates to an inquiry or investigation undertaken by the OIG.

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C. BACKGROUND OF THE OIG

In August 1998, the Board of Education of the Los Angeles Unified School District began the process of establishing a department within the District whose mission would be to detect and prevent waste, fraud, and abuse in District operations and programs. Those efforts resulted in combining the District's auditors and investigators to form an Internal Audit and Investigations Department. In January 1999, the Board appointed the Department's first Director, and in February 2000, the Board adopted the name, Office of the Inspector General and changed the Director's title to Inspector General. The Board resolution which took this action stated:

"The Board wishes to instill a culture of excellence and professionalism in all aspects of the mission of the Los Angeles Unified School District and finds that an Inspector General approach to detecting and preventing waste, fraud and abuse in all District programs and operations enhances this culture of excellence."

Following the Board's action the District secured legislative support for the OIG during the 2000 legislative session with the introduction of Senate Bill (SB) 1360 and its enactment on September 26, 2000, which granted the OIG statutory authority to conduct investigations. The legislature again addressed the issue in 2005 with Assembly Bill (AB) 2425 which amended the Education Code and authorized the Inspector General to conduct audits, granted confidentiality to all investigative files and work-product, and extended the original sunset provision to January 1, 2015.

THE OIG CHARTER

The OIG Charter outlines its authority and responsibilities and also provides that the Board expects and encourages the OIG to be an independent voice that expresses its views without censorship by District management. Section 35400 of the California Education Code which authorizes the OIG to conduct audits and investigations is embodied in the Charter. The code also authorizes the OIG to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of information. Some of the key Charter provisions authorize the Inspector General to:

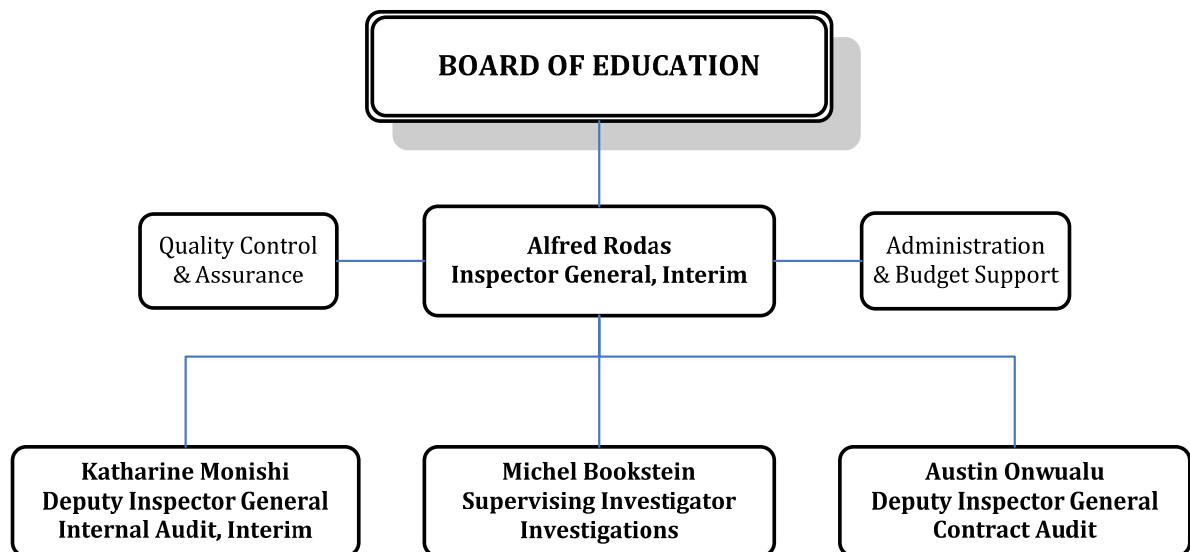
- ❑ Audit and investigate any and all functions within the District, as well as private entities that do business with the District.
- ❑ Have full, free and unrestricted access to all District records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data, media or information on audio/video/computer/tape/disk, or other materials of the District.
- ❑ Subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents as may be deemed relevant to any inquiry or investigation undertaken.
- ❑ Hire staff or employ contract services within the scope of the budget authorized by the Board.

ORGANIZATIONAL STRUCTURE

The OIG reports directly to the Board to provide it with the necessary independence from the District's managers and staff who may attempt to protect the programs they administer or who may also be implicated. Accordingly, the responsibility for auditing and investigating is assigned to individuals following professional standards with a clear independence from District management.

The OIG is comprised of auditors and investigators who have the authority to examine any and all functions within the District and those of private entities that do business with the District. The two audit units, Internal Audit and Contract Audit, conduct performance audits and contract audits that cover a wide range of programs, processes, functions, areas and topics. The Investigations Unit conducts due diligence investigations and investigations of malfeasance by individuals. Due diligence investigations are conducted in support of the District's ongoing efforts to assess senior management applicant backgrounds as well as those of new charter school applicants. Malfeasance investigations, which often result from Hotline allegations, sort out the truth about allegations of misconduct by District employees and contractors.

The Inspector General manages the OIG, and is appointed by the Board for specified terms that may be renewed at the Board's discretion at the conclusion of the assigned term. The Inspector General manages the OIG with the assistance of two Deputies and a Supervising Investigator. The basic organizational structure is set forth below.



BUDGET AND STAFF

The Inspector General is charged with managing the OIG, a department of 52 employees with a FY 2012 budget of just under \$4.4 million in general funds, \$3.1 million in bond funds, and \$155,000 in workers compensation funds. The Inspector General is assisted in managing the OIG by two Deputy Inspectors General who oversee internal audit and

contract audit activities. Also assisting the Inspector General is a Supervising Investigator who supervises the staff and work of the Investigations Unit which performs investigations and due diligence reviews. There is also a headquarters unit made up of administrative and budget support staff and an internal quality control function tasked with ensuring that all the work performed adheres to professional standards.

The OIG is a highly educated professional staff where nearly all have at least a four-year degree, and most have either advanced degrees or one or more professional certifications in their areas of expertise. The staff also has a diligent work ethic and is committed to providing quality service to all elements of the District. Additionally, the ethnic diversity of the OIG is reflective of every major ethnic group present in the District.

In all of our work, the OIG seeks to provide the Board and District staff with independent and objective information about the operations of the District and of those who do business with it. The OIG's Vision and Mission statements guide our efforts as we seek to meet the objectives set forth in the OIG Charter that was created by the Board and to support the District in the achievement of its core mission.

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AUDIT ACTIVITIES AND ORGANIZATION

The OIG has two audit units, an Internal Audit Unit and a Contract Audit Unit. The organization and activities of these audit units are described in more detail below.

The Internal Audit Unit

The Internal Audit Unit conducts performance audits on District programs, processes and functions for efficiency and effectiveness to ensure that adequate internal controls are in place and to verify that the reviewed areas are in compliance with laws, regulations and District policies and procedures. Internal Audit also performs limited school reviews that provide information about best practices for school operations.

The Deputy Inspector General for Internal Audit manages the Internal Audit Unit with the assistance of Audit Managers who manage the audit staff assigned to internal audit projects. Audit Managers are key “strategic thinkers” and “subject matter experts” within the OIG. They serve as “issue area managers” or “program managers”, who during the development of the Annual Work Plan provide key information about areas that are susceptible to waste, fraud or abuse, as well as opportunities for improving efficiency and effectiveness. They are also the main contacts with District staff, particularly senior management. They also track recommendations and ensure that follow-up audits are conducted when needed.

The Internal Audit Unit also includes Principal Auditors who are responsible for conducting, individually or with the assistance of other auditors, performance audits of critical and complex processes, programs and functions within the Facilities Services Division.

The Contract Audit Unit

The Contract Audit Unit is dedicated to ensuring that bond funds are spent for their intended and proper purpose and to detect wasteful, careless or inefficient practices by contractors. In auditing contracts and bond funded projects, the OIG provides a deterrent factor to contractors and to employees who might otherwise attempt to circumvent policies, procedures and the law. Contract Audit activities also help to ensure that all District programs and Units using or managing bond funds have adequate internal controls in place. Most of the Unit’s work is devoted to auditing the Facilities Services Division’s New School Construction and Repair & Modernization Program. The goal of this program is to provide every student with the opportunity to attend a safe and healthy neighborhood school operating on a traditional, two-semester calendar.

An additional responsibility for the Contract Audit Unit is conducting pre-award and post-award audits of District contracts, bond funded and non-bond funded. It also supports the District’s procurement officials with rate surveys, claims and litigation support.

The Deputy Inspector General for Contract Audit manages the Contract Audit Unit with the assistance of Audit Managers who manage the audit and technical evaluation staff assigned to contract audit projects, similar to the Internal Audit Unit.

Auditing Standards

The OIG audit units do their work primarily in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. The Internal Audit Unit also uses the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. The Contract Audit Unit also makes use of attestation standards outlined by the American Institute of Certified Public Accountants.

Annual Risk Assessment Process

The OIG performs a global risk assessment in the spring of every year that is the foundation for the Work Plan that guides the OIG in deciding which audit projects to undertake the following year. In addition, the OIG performs periodic risk assessments throughout the fiscal year to ascertain what issues are the greatest risks to the District.

Annual Work Plan

The OIG audit units operate pursuant to *Government Auditing Standards* that mandate that audit units operate pursuant to an annual work plan that identifies the specific areas of focus for an upcoming fiscal year and which must be approved by the Board. The annual work plan is a “working” document that is modified throughout the year as circumstances, priorities, and resource availability dictate. The work plan is available on our website.

Effective planning in the District requires extensive knowledge of the District’s mission and the programs and activities that implement that mission. Accordingly, the OIG assigns each audit manager specific issues of importance so that we can stay abreast of major District programs and activities. Audit Managers play a key role in our planning process because they monitor designated issues and thereby strengthen internal coordination and the overall planning process.

The work plan describes the work of the Internal Audit Unit, the Contract Audit Unit, and the Investigations Unit, respectively, and due to the differences in the type of work performed by each Unit, each section follows a format that is best suited for presenting their work in the work plan.

Auditor Credentials and Qualifications

All auditors have four-year degrees from accredited colleges or universities, and auditors assigned as contract auditors have a minimum of 3 years contract audit

experience as Senior Auditors. Many of our auditors hold advanced degrees, licenses and certifications.¹

Additionally, members of the Internal Audit Unit and Contract Audit Unit are also active in professional organizations, such as the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Specialists, Association of Government Accountants, National Association of Local Government Auditors, Association of Certified Fraud Examiners, and Information Systems Audit and Control Association. Staff of the Contract Audit Unit is also active in professional organizations such as the National Association of Construction Auditors.

External Assistance

Government Auditing Standards require that the staff assigned to conduct audits should collectively possess adequate professional proficiency for the tasks required. If the staff lacks that proficiency, the standards provide that an organization may need to employ personnel or hire outside consultants knowledgeable in such areas as accounting, statistics, law, engineering, etc. We retained the outside auditing firms listed below to assist us with their expertise.²

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¹ Certified Internal Auditor; Certified Fraud Examiner; Certified Public Accountant; Certified Government Financial Manager; Certified Government Auditing Professional; Master in Business Administration; Master in Information Systems; Master in Architecture; Master in Education; Certified Financial Services Auditor; Certified Construction Auditor; and Architectural (RA).

² The OIG utilized firms from its Contract Audit bench to provide audit services of bond construction and modernization projects. These bench firms consisted of: Evergreen Solutions, MGT of America, Nunez & Associates, Qiu Accountancy, Stonefield Josephson, Thompson Cobb Bazilio & Associates, Vasquez & Company, and Wang Professional Corporation.



INVESTIGATIVE ACTIVITIES AND ORGANIZATION

The Investigations Unit investigates allegations of improper administrative or illegal activities by District employees, contractors or other entities doing business with the District. The Investigations Unit also performs a variety of other services which are described in this section. Most of the investigative workload results from the receipt of allegations of improper activity. The Investigations Unit also receives referrals from the OIG audit units. The remaining workload consists of proactive projects designed to prevent waste, fraud and abuse.

Fraud Hotline - The OIG receives allegations of waste, fraud and abuse from various sources, including mail, in person, email, by referral from other District departments and outside agencies, and the District's Fraud Hotline. The OIG Charter mandates that the Investigations Unit manage the District's Fraud Hotline. All reports received by the Fraud Hotline are reviewed and matters that warrant action are opened as investigations or referred to the proper District department for appropriate remediation. The OIG Fraud Hotline numbers are (213) 241-7778 and (866) LAUSD-OIG.

General Investigations - Reports of Investigation are issued upon completion of an investigation and summarize the evidence disclosed during the investigation. Some investigations are concluded by a Case Memorandum when it is determined the facts of the case do not warrant a full investigation. The California Education Code requires that every investigation, including all investigative files and work product, be kept confidential. The OIG is precluded from investigating allegations that involve crimes against children; such matters are referred to the appropriate law enforcement agency.

Due Diligence Investigations - The OIG has taken a proactive role to ensure the District contracts with responsible vendors and approves responsible charter school operators. Investigative staff performs public record investigations, commonly referred to as due diligence reports. These reports are requested by various District offices and divisions. Due diligence reports help to reduce the risks of doing business, improve contract and employment decisions, and promote greater accountability and effectiveness.

Subpoenas - Senate Bill 1360 enacted in 2000 granted the OIG the authority to conduct investigations, subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information deemed material, reasonable, and relevant to any OIG inquiry or investigation. (California Education Code Sections 35400 and 35401)

Whistleblower Protection Policy - The OIG investigates Whistleblower Protection Policy complaints. The Board of Education passed the LAUSD Whistleblower Protection Policy on February 12, 2002. The Whistleblower Policy protects District employees who make allegations of improper governmental activity from retaliation or reprisal from the District. To assure the reporting of any activity that threatens the efficient administration of the District, reports that disclose improper governmental activities shall be kept confidential.

The Supervising Investigator supervises the staff and work of the Investigations Unit

Investigating Standards

The Investigations Unit conducts its investigations according to the *Principles and Standards for Offices of Inspectors General*. The Association of Inspectors General drafted these principles and standards based on the quality standards for Federal Inspectors General issued by the President's Council on Integrity and Efficiency. The principles and standards represent generally accepted principles, quality standards, and best practices applicable to federal, state, and local offices of Inspectors General.

Investigator Credentials and Qualifications

The Investigations Unit staff members possess a variety of investigative backgrounds and skills. The majority of investigators have four-year degrees from accredited colleges or universities, and many also hold advanced degrees, as well as professional certifications. The investigative staff includes former employees of investigative or regulatory agencies such as the Los Angeles Police Department, Los Angeles County Sheriff's Department, Internal Revenue Service (IRS), Federal Deposit Insurance Corporation (FDIC), and U.S. Customs Service.

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D. ANALYSIS OF WORK PRODUCTION

FISCAL YEAR-END 2012					
	Projects Planned*	Projects Completed	Initiated & In Progress	Not Initiated Carry-over FY13	Not Initiated Canceled
Internal Audit Unit	62	45	10	-	7
Contract Audit Unit	110	71	26	4	9
Investigations Unit	165	138	27	-	-

The following sections provide additional analysis of the work produced by each unit of the OIG.

* Projects planned include additional project requests received by the OIG during the fiscal year.

Internal Audit Work Analysis

The Internal Audit Unit began the fiscal year with 30 planned projects and added 9 additional projects during the fiscal year based upon requests from the Board and District Management. In addition, numerous requests were made from school Principals for financial audits or reviews of their schools. A total of 45 projects were completed for the year which included audit work plan projects, projects added during the year, as well as school financial oversight reviews and audits.

As of July 1, 2012, Internal Audit carried over 10 projects in various stages of completion into FY 2013. During the FY 2013 annual risk assessment process, 7 projects that had not yet been initiated during FY 2012 were re-evaluated and none of them were identified as having the level of risk required to be included in the FY 2013 annual work plan. As a result, these audits will no longer be performed unless they are requested by the Board or Senior Management and sufficient OIG resources are available.

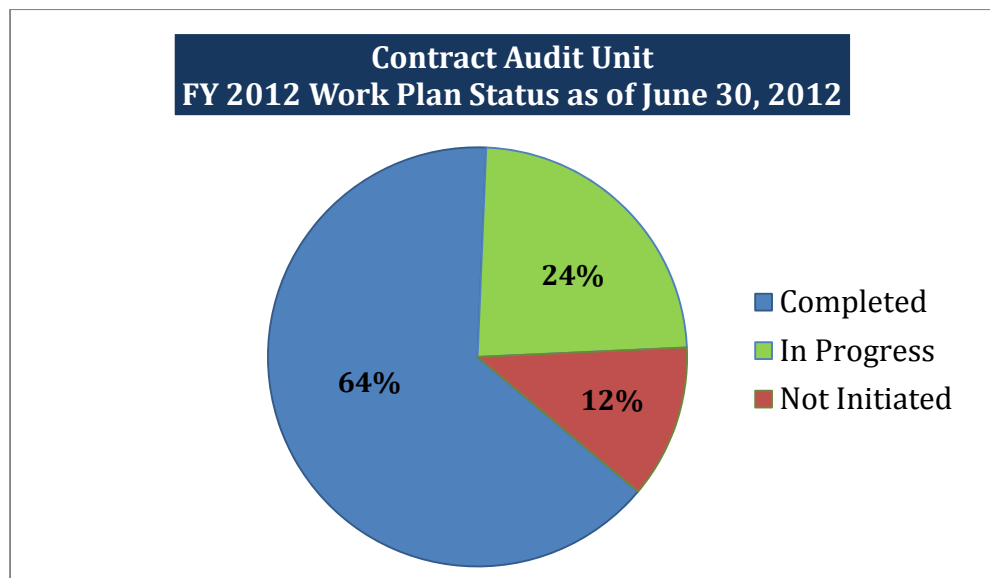
Contract Audit Work Analysis

The Contract Audit Unit began the fiscal year with 76 new planned projects and 60 projects that were open from prior fiscal years. Of the 76 new projects, 37 were specifically identified projects that we planned to perform while the remaining 39 were projects that we anticipated the Facilities Services Division (FSD) and Procurement would request us to perform.

During the fiscal year, FSD and Procurement requested 3 additional incurred cost audits and 2 special reviews but only requested 8 of the original 39 anticipated projects. Therefore, during FY 2012 there were a total of 110 projects that were ultimately authorized consisting of 50 new planned projects and 60 ongoing projects from prior years.

During the year, we prioritized completing the audits that we received special requests for as well as completing the ongoing audits from prior years.

As of June 30, 2012, 71 (64%) of the 110 total projects were completed, 26 (24%) were in progress, and 13 (12%) were not initiated.



During the annual risk assessment process for FY 2013, the 13 projects that were not initiated were evaluated and four of the 13 projects were added to the FY 2013 annual work plan. The remaining 9 projects were not identified as having the level of risk required to be placed on the FY 2013 annual work plan and as a result will no longer be performed unless they are requested by the Board or District Management and sufficient OIG resources are available. The 9 remaining projects consist of 6 incurred cost audits, 2 special reviews and 1 technical evaluation.

It is worthy to note that as a result of our efforts to complete our ongoing audits from prior years, we completed 55 (92%) of the 60 open projects from prior years.

The following is a detailed breakdown of the year-end Contract Audit Unit work plan status by project type:

CONTRACT AUDIT UNIT FY 2012 Work Plan Status by Project Type					
Type of Project	Number of Projects	Completed	In Progress	Total Initiated	Not Initiated
Incurring Cost Audits	32	6	16	22	10
Special Reviews	6	4	0	4	2
Technical Evaluations	4	2	1	3	1
Pre-Award Audits	5	4	1	5	0
Change Order Audits	3	0	3	3	0
FY12 New Projects	50	16	21	37	13
Projects from Prior Years	60	55	5	60	0
Total Projects	110	71	26	97	13
Percentage of Total	100%	64%	24%	88%	12%

Investigative Work Analysis

The tables below summarize the work efforts of the Investigations Unit for FY 2012.

INVESTIGATIONS UNIT FY 2012 Work Production by Project Type	
Type of Project	Completed/ Issued
Reports of Investigation	9
Case Memorandums	36
Charter School Due Diligence	50
Contractor/Vendor Due Diligence	14
Executive Level Pre-Employment Due Diligence	25
Subpoenas	4
Total Investigative Matters	138

INVESTIGATIONS UNIT FY 2012 Hotline Calls Summary	
Disposition	# of Calls
Referred	157
Not Referred	119
Preliminary Investigation	32
Investigation	2
Pending Evaluation	4
Total Hotline Calls	314

As of June 30, 2012, there were 27 open investigative matters.

* * * *

E. MONETARY BENEFITS

During FY 2012, the OIG identified over \$16 million in monetary benefits through its audits, investigations, and special reviews. The OIG is committed to identifying and reducing waste, fraud, and abuse and to identifying opportunities for achieving greater economy, efficiency, and effectiveness that may result in the savings or recovery of funds that can be used toward student-related goals. The OIG classifies monetary benefits into four major categories: restitution, settlements, funds put to better use, and questioned costs.

Restitution is the voluntary or court-ordered repayment of District funds that were obtained through fraudulent means. Settlements are formal legal agreements where funds are awarded to resolve damage claims. Funds put to better use incorporate recommendations that may result in more efficient use of District funds. Questioned costs are costs that are disallowed or unsupported and are primarily incurred on contracts, grants, and other forms of cooperative agreements. OIG investigative activities may also result in monetary benefits such as fines and recoveries.

Quantifying the monetary value of OIG services for any one year often means assigning value in a given year for efforts that often span over several years. However, we believe that on balance it is a fair method, and for FY 2012, it resulted in more than \$16 million in questioned costs through audits, investigations, and special reviews:

<u>Report Type</u>	<u>Funds Put to Better Use</u>	<u>Questioned Costs</u>
Internal Audit	\$2,272,182	\$354,856
Contract Audit		\$13,211,443
Investigation		\$287,487
Subtotal	\$2,272,182	\$13,853,786
Total Monetary Benefits		\$16,125,968

* * * *

F. CONCLUSION

This report is intended to provide information that informs the reader about the OIG, who we are, how we are organized, what we accomplished in FY 2012, and what benefits we brought to the District. The current budgetary environment limits all District operations, including those of the OIG. Despite limited resources, due to the work of a diligent, highly trained professional staff, we continue to provide substantial benefit to the District by finding ways to improve operations, providing information that supports effective decision making, identifying real or potential misuse of District resources, and preventing and detecting waste, fraud and abuse within the District.

We thank the Board and the Superintendent and his staff for their support and cooperation, and we look forward to continuing this important work. You can direct any questions to me, Austin Onwualu, Katharine Monishi or Mike Bookstein, and each of us would be pleased to assist you in any way we can.

* * * *

APPENDIX 1

This appendix includes descriptions of other significant audits and investigations that are not discussed in the Executive Summary.

Internal Audits

Los Angeles Leadership Academy Charter School - This audit was done to determine whether the Los Angeles Leadership Academy Board of Directors and management were adhering to the terms and conditions outlined in the Charter Agreement related to governance structure, qualifications of staff, health and safety, and internal controls. We noted that the School was not in full compliance with the selected charter provisions. We also noted that the school needed to strengthen its internal control system as well as its oversight over fiscal and financial operations. The School Principal committed to corrective actions.

Ace Tutoring Services - This audit focused on verifying that attendance information and billings submitted by ACE Tutoring Services Inc. for Supplemental Education Services were delivered properly and timely, billed and adequately documented. We noted that the provider did not always provide timely and proper completion of requisite documentation.

Storage and Disposal of Toxic and Hazardous Materials – Transportation Branch Garages – In this audit, we audited the effectiveness of the District’s process over compliance with federal and state laws on the storage and disposal of toxic and hazardous materials. We found that the Transportation Services Division had made significant progress following leading management practices. However, further actions were needed to improve compliance with procedures on monitoring activities.

Funding Source and Encumbrance Process for Construction Contracts – This audit focused on whether internal controls were established and operating as intended in the selection of funding source and encumbrance of funds for construction contracts, and whether the process used in front funding was adequately managed and controlled. Our audit found that internal controls over the encumbrance process for *regular construction contracts* were established and operating as intended, however, control activities related to the encumbrance process for *17406 (Lease-Leaseback)* contracts could be improved. We also found inadequate controls over the front funding process, and management needed to establish policies and procedures and strengthen oversight responsibility to ensure that process is consistent and transparent.

Contract Audits

Chegini Enterprises, Inc. (dba SMC Construction Co.) - We examined the amounts billed by Chegini Enterprises relating to the conversion of the lunch shelter at Norwood Elementary School into a multi-purpose classroom. The contract, including three change orders, amounted to \$3,559,965. Our site visit during the audit showed mold and rust in certain areas of the project that could pose health and safety hazards to the

students and others who will utilize the facility. We also found that Chegini billed for work totaling \$7,350 that had not been completed as of the date of our on-site inspection. As a result of our finding the FSD required Chegini to remove and replace all installed drywall sheets which were affected by mold. The replacement was verified by the Inspector of Record. FSD also deducted the \$7,350 from Chegini's next pay request.

Torres Construction - This audit was requested by FSD and focused on the job orders issued to Torres Construction for FSD's program to modernize school cafeterias. We found that Torres Construction did not price the job orders properly in accordance with their contract and JOC policies. As a result, Torres overcharged the District a combined total of \$1,697,585 for equipment purchases and approximately \$2,291,098 for construction and installation work.

MTM Construction - This audit was requested by FSD and focused on the job orders issued to MTM Construction for FSD's program to modernize school cafeterias. We found that MTM Construction did not price the job orders properly in accordance with their contract and JOC policies. As a result, MTM Construction overcharged the District a combined total of \$1,403,747 for equipment purchases and approximately \$731,119 for construction and installation work.

FH Paschen/SN Nielsen, Inc. - This audit was requested by FSD and focused on the job orders issued to FH Paschen/SN Nielsen, Inc. for FSD's program to modernize school cafeterias. We found that FH Paschen/SN Nielsen, Inc. did not price the job orders properly in accordance with their contract and JOC policies. As a result, FH Paschen/SN Nielsen, Inc. overcharged the District a combined total of \$2,709,655 for equipment purchases and approximately \$2,322,421 for construction and installation work.

The Gordian Group - The Gordian Group has been FSD's program manager for the Job Order Contracting program since the inception of the JOC program. Our audit examined the billings submitted by The Gordian Group since the inception of the JOC program, and we found that The Gordian Group double billed the District for many job orders and also did not always give the District the proper credit when job orders were cancelled or had a reduction in the scope of work. We calculated approximately \$138,000 of overbillings for the period audited. The District recouped this amount by applying credits to The Gordian Group's subsequent invoices.

Associated of Los Angeles - The Associated of Los Angeles had a contract with the District to provide replacement electrical supplies and equipment to the District's Maintenance & Operations locations. Our audit found delays in the delivery of items ranging from 2 days to 94 days. Based on the value of the items and the delay in the delivery, we calculated liquidated damages of \$145,060. The District agreed and stated that it would assess the liquidated damages.

Energy Management Unit - The Energy Management Unit (EMU) was responsible for applying for energy efficiency rebates when the District installs energy efficient equipment. We conducted a performance audit to evaluate the internal controls implemented on the energy rebate program and to verify receipt by the District of the

rebate checks issued by the utility companies from 2006 to 2010. Our audit found that all rebate checks were received by the District. The audit also determined that the EMU did not have an adequate separation of duties and did not have the proper policies and procedures to ensure that records on the rebate applications and payments were accurate. The FSD agreed with our findings and recommendations and has implemented new policies and procedures to correct the internal control deficiencies.

Ninyo & Moore – We audited the contract between Ninyo & Moore and the District to provide material testing and inspection services to FSD on a time and material basis. Our audit found that Ninyo & Moore overbilled the District a total of \$39,209 in over-time labor costs, material sample pick-up fees, and subcontractor costs. The District sent a demand letter to Ninyo & Moore requesting the overbilled amount.

Mainline Information Systems, Inc. – We performed an incurred cost audit of Mainline Information Systems, Inc. (MIS) under Contract No. 0550063 with the District. The main objectives of the examination were to determine whether the equipment was delivered to the District and met the product specifications per the contract and that the billed equipment prices were in accordance with the Contract Rate Schedule. As result of our audit, we found unsupported costs of \$169,808.

BMaKK Apex Waste Systems – We performed this audit at the request of the Procurement Services Division to determine if BMaKK Apex overbilled the District on its waste management contract. Our audit found that BMaKK Apex overbilled the District \$811,506 and that the District also overpaid BMaKK Apex \$144,080. We recommended that the District deduct \$955,586 from BMaKK Apex’s outstanding invoices for the overbilling and overpayment. We also found that the District did not have sufficient internal controls to make sure the billings were accurate and that overbillings could be identified. As a result, we are working with the Office of Environmental Health and Safety (OEHS) on implementing additional internal controls for its current waste management contracts.

Investigations

The California Education Code requires that every investigation, including all investigative files and work product be kept “confidential.”

High School (11-194) – An investigation into an allegation that a member of school staff violated District policy by using the District’s taxpayer identification number and opening a school business checking account without authorization. The allegation was substantiated. The staff member had complete control over the bank account. During a two year period, in excess of \$85,000 dollars was deposited into the account. The staff member admitted to commingling both District and personal funds and only keeping a “mental note” with regard to which account funds belonged to the District and which were personal. The matter was referred to Human Resources Division and the Office of the General Counsel.

Administrative Office (11-253) – It was alleged that an administrative assistant had misappropriated public funds deposited with a District office. The investigation substantiated the allegation and determined that the administrative assistant had misappropriated in excess of \$93,000 for personal use. The matter was referred to the District Attorney's Office for prosecution.

High School (11-417) – After an investigation, it was determined that a teacher purchased, without administrative authorization, football "spirit packs," which contained team related tee shirts and shorts; sold the spirit packs to students; and failed to deposit sale proceeds with the student store or pay the vendor for the merchandise. The teacher admitted to keeping the funds collected from the sale of merchandise. The sum of \$3,477 is due the vendor. The matter was referred to Human Resources Division and the Office of the General Counsel.

District Administration (12-021) – An allegation was received that an employee had provided the District two different social security numbers (SSN). The investigation substantiated that the employee had provided the District with an Employer Identification Number (EIN) at the time of employment rather than a SSN. Subsequently the District was provided with a SSN. It was determined that no fraud was committed.

High School (11-348) – An allegation was received that high school personnel had repeatedly failed to remit funds to the school finance office as required by District policy, which raised issues of the possible theft of District funds. The investigation substantiated the allegation that District policies concerning accounting procedures were not followed. No theft of public funds was substantiated. As a result of the investigation, a Professional Development class was held at the school and all school administrators and advisors were instructed in the proper procedures for handling school funds.

Elementary School (11-356) – The OIG investigated an allegation that a member of school staff had committed theft of District funds by the multiple deposit of a payroll warrant. The investigation substantiated that a District employee on two separate occasions made a cell phone deposit of a school payroll warrant and at the same time deposited the hard copy of the warrant. The cell phone deposits were made using a special bank program at the employee's bank. The employee admitted to making the first double deposit by error, but denied knowledge of the second incident. All unauthorized payments were reversed and the District suffered no monetary loss, therefore, the matter was not referred for prosecution.

Middle School (12-094) – An allegation was received that a school financial manager had misappropriated District funds. The investigation found that over a three year period the financial manager violated District accounting policies and misappropriated public funds by the fraudulent issuance of school checks made payable to various individuals. One employee has resigned from the District and another is currently in the process of being terminated. The matter was referred to the District Attorney for review and possible prosecution.

Facilities Services Division (11-373) – An allegation was received that the District’s Professional Staffing Appointment Policy, which addresses conflicts of interest, was violated. The allegation was substantiated. Individuals employed by firms, which provided consultant candidates were allowed to sit as employment selection panelists and made hiring decisions with respect to consultants from their own firms; and the hiring process was not properly documented and records were not retained as required by the Policy.

High School (12-159) – The OIG investigated an allegation that an individual, without authorization, withdrew funds from a Certificate of Deposit that belonged to a High School. The investigation determined that a District employee closed the school account without authorization and misappropriated over \$86,000. As a result of the investigation, the funds were recovered and no monetary loss was suffered by the school. The matter was referred to the District Attorney for review and possible prosecution.

APPENDIX 2

<u>Report Date</u>	<u>Report Number</u>	<u>Report Title</u>
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Internal Audit Reports

07/01/11	Memo Rpt	Special Review - CRU
07/18/11	OA 11-464	Bell High School – Student Body, Imprest Funds and Categorical Funds
09/09/11	LSR 11-26	Ramona High School
09/13/11	OA 11-465	Sepulveda Middle School – Student Body and Imprest Fund
09/26/11	OA 11-466	Henry Clay Middle School – Student Body and Imprest Fund
09/28/11	OA 11-467	Maxine Waters Employment Prep Center
10/07/11	LSR 11-28	Walgrove Elementary School
10/12/11	LSR 11-27	Lizarraga Elementary School
10/14/11	LSR 11-28A	Middleton Elementary School
10/18/11	LSR 11-29	Wadsworth Elementary School
10/25/11	LSR 11-30	Harvard Elementary School
11/02/11	LSR 11-31	Belvedere Middle School
11/03/11	LSR 11-32	Barton Hills Elementary School
11/04/11	LSR 11-33	Lorena Elementary School
11/11/11	LSR 11-34	Denker Elementary School
11/18/11	LSR 11-35	Highland Park High School
11/23/11	LSR 11-36	Hancock Park Elementary School
11/29/11	OA 11-468	Textbook Ordering Process
12/02/11	LSR 11-37	Brentwood Science Magnet Elementary School
12/06/11	OA 11-470	Lease Reduction Plan – Third Party Leases with LAUSD as Tenant
12/08/11	OA 11-471	Review of the Process for Non-Public School/NPA Expenditure Projections
12/12/11	OA 11-472	Los Angeles Leadership Academy Charter School
12/12/11	OA 11-473	Ace Tutoring Services Inc.
12/12/11	LSR 11-38	Breed Elementary School
12/14/11	LSR 11-39	Patrick Henry Middle School
01/10/12	LSR 12-40	Utah Elementary School
01/11/12	OA 12-475	Student Health – District Nursing Services
01/24/12	LSR 12-41	Obama Global Preparatory Academy
02/10/12	LSR 12-42	Harmony Elementary School
03/01/12	OA 12-477	Change Order Process
03/28/12	OA 12-478	GRC Implementation Review
03/09/12	LSR 12-43	Bryson Elementary School
03/26/12	LSR 12-44	Cortines School of Visual and Performing Arts
04/24/12	LSR 12-45	Nueva Vista Elementary School
05/10/12	LSR 12-46	Ambassador Global Leadership School
05/21/12	LSR 12-47	Harbor Community Adult School
05/22/12	OA 12-479	Project Estimates at Completion System
05/30/12	Memo Rpt	Special Review - RLC
06/08/12	OA 12-476	Storage and Disposal of Hazardous Material
06/18/12	OA 12-480	Special Review - FES
06/28/12	OA 12-481	Emergency Service – New Schools
06/29/12	OA 12-482	Funding Source and Encumbrance Process for Construction Contracts
06/29/12	OA 12-483	FSD Management of Accounts Receivables
06/29/12	OA 12-484	Special Education Funded School Based Personnel –Part B (Regular Schools)

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Contract Audit Reports

07/14/11	CA 09-853	Hensel Phelps Construction Company, Contract No. 0710208
07/26/11	CA 09-854	R.P. Laurain & Associates, Contract No. 0490069
08/08/11	CA 09-855	Deferred Maintenance Program
09/08/11	CA 10-857	Hensel Phelps Construction Company, Contract No. 0810141
09/08/11	CA 11-856	Chegin Enterprises, Inc., Contract No. 0910311
09/13/11	CA 11-858	Best Contracting Services, Inc., Contract No. 1010096
09/30/11	CA 10-859	Titan Integrated Systems, Contract No. 0550046
10/03/11	CA 12-860	Presidio Network Solutions, Inc., RFP No. 1047
10/03/11	CA 12-861	Vector Resources, Inc., RFP No. 1047
10/05/11	CA 12-862	AT&T DataComm, Inc., RFP No. 1047
10/12/11	CA 10-863	GMS Elevator Services, Contract No. 0490091
10/14/11	CA 11-871	McCarthy Building Co., Inc., Contract No. 1010059, CO R-2300
10/17/11	CA 09-865	Job Order Contracting Program
10/17/11	CA 10-864	CTAC dba Calwide Construction, Contract No. 0810267
10/24/11	CA 10-866	Torres Construction Corp., Various Contracts
10/24/11	CA 10-870	Cinnamon Consulting, Contract No. 0800105
10/24/11	CA 11-867	D&H Distributing Company, Contract No. 0850101
10/31/11	CA 10-872	Enterprise Construction, Contract No. 0810288
10/31/11	TE 10-025	Fulton Prep, Plumbing & Piping Construction, Inc., Contract No. 0910055
11/03/11	CA 10-873	American Relocation & Logistics, Contract No. 0550194
11/03/11	CA 10-874	Associated of LA, Contract No. 0650106
11/03/11	CA 10-875	MTM Construction, Inc., Contract Nos. 0730023 and 0730032
11/03/11	CA 10-876	FH Paschen/SN Nielsen, Inc., Various Contracts
11/16/11	CA 10-868	N&W Construction, Contract No. 0810341
11/28/11	CA 10-837	Mike Brown Grandstand, Contract No. 0550048
11/28/11	CA 10-877	Epic Land, Contract No. 0590042
11/28/11	CA 10-878	Global Ready, Contract No. 0700481
11/28/11	CA 10-880	Charles Dunn Real Estate Services, Inc., Contract No. 0590045
11/28/11	CA 11-882	Swinerton Builders, Contract No. 0910136
11/28/11	CA 11-884	Innovative Construction, Contract No. 1010110
12/02/11	CA 11-869	Turner Construction, Contract No. 0810162 CO T-754
12/03/11	CA 11-883	Security America, Contract No. 0890058
12/05/11	AUP 12-885	Driftwood Dairy, Inc., Contract No. 1200018
12/07/11	CA 11-879	QuarterMaster, Contract No. 0650154
12/08/11	CA 11-888	Sinannian Development Inc., Contract No. 0810211
12/12/11	CA 11-887	Parsons Commercial Technology Group, Inc., Contract No. 0790043
12/13/11	CA 11-849	Tilden-Coil Constructors, Contract No. 0810013
12/15/11	CA 11-881	URS.JGM, Contract No. 0790046
12/16/11	CA 11-892	The Gordian Group, Inc., Contract Nos. 0590008 and 1090001
12/19/11	CA 10-886	The Academic Advantage, Contract No. 0900075
12/21/11	CA 10-890	EPI-USE America, Contract No. 0800117
12/27/11	CA 10-891	Morlin Management Corp., Contract No. 0890015

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01/09/12	CA 11-893	Turner Construction Co, Contract No. 0910019 CO T-530
01/18/12	CA 10-889	Kemp Brothers, Contract No. 0810027
01/26/12	CA 10-894	Clark Construction Co., Contract No. 081004
02/03/12	CA 11-895	Turner Construction Co, Contract No. 0810162 CO T-722
02/08/12	CA 11-897	Ninyo & Moore Geotechnical & Environmental Sciences Consultants, Contract No. 0690012
02/09/12	AUP 12-896	CMTS, Contract No. 1090080
02/22/12	TE 11-026	CRES #13, Pacific States Environmental Contractors, Contract No. 1010074
02/29/12	CA 09-898	School Occupancy Transition Unit (SOTU)
02/29/12	TE 11-027	Locke HS, Premier West Contractors, Inc., Contract No. 0730024B
03/07/12	CA 11-899	Jacobs Engineering Group, Inc., Contract No. 0790042
03/14/12	CA 10-900	Energy Management Unit (EMU)
03/19/12	AUP 12-902	Waterless Urinals
03/21/12	CA 10-901	KIS Center, Contract No. 0850109
03/26/12	CA 10-903	AECOM, Contract No. 0800086
04/10/12	CA 11-904	Horizon Software International, LLC, Contract No. 0800049
04/11/12	CA 12-905	BFI Services of North America, Contract No. 0650039
04/16/12	TE 12-028	Burbank MS, Emma Corp, Contract No. 0910325
04/17/12	CA 12-906	The Segal Company, RFP No. 1050
04/23/12	CA 11-907	Sagebrush Corp., Contract No. 0400850
05/07/12	CA 10-908	JOC Food Modernization LA Café: F.H. Paschen, Torres and MTM
05/08/12	CA 12-909	EIP Associates/Atkins, Contract No. 08800066
05/15/12	CA 11-910	Mainline Information Systems, Contract No. 0550063
05/17/12	CA 12-911	Land Images, RFQ No. R-11028
05/22/12	CA 12-912	BMaKK Apex, Contract No. 0750089
05/23/12	CA 12-913	TMCx Solutions, Contract No. 0990021
05/29/12	TE 11-030	LAHS, Athena Engineering, Inc., Contract No. 0910060
05/30/12	Memo	Follow-up on Simpson & Simpson's AUP Reports for FY 2010 & 2011
06/19/12	CA 12-914	Norman S. Wright-Airelink Mechanical Equipment, LLC, Contract No. 0950179
06/25/12	TE 12-029	Environmental Construction, Inc., Contract No. 1110039

Investigative Reports

07/15/11	11-363	Whistleblower Complaint
07/21/11	11-194	High School Campus Aide; Violation of District Policy and Theft
07/22/11	11-417	High School Teacher; Violation of District Policy and Misappropriation of District Funds
07/27/11	11-057	Office Technician; Payroll Fraud
07/27/11	11-274	Contractor; Contract Fraud
07/27/11	11-336	High School Athletics Assistant; Violation of Policy
08/02/11	11-046	Middle School Principal; Violation of District Policy and Payroll Fraud
08/15/11	11-253	Administrative Assistant; Misappropriation of Funds
08/19/11	12-021	Senior Administrator; Violation of Policy
10/07/11	11-431	Facilities Services Division; Violation of Policy
10/07/11	12-002	Whistleblower Complaint
10/21/11	11-424	Elementary School Administrative Assistant; Inappropriate Purchase
10/21/11	12-048	Charter School; Theft of Public Funds

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11/04/11	12-008	Charter Schools; Violation of Policy
11/04/11	12-082	High School Campus Aides; Theft
11/15/11	11-348	High School Advisor; Violation of Policy
11/16/11	11-356	Elementary School Supervision Aide; Theft
11/30/11	12-094	Middle School Financial Manager and School Aide; Misappropriation of Funds and Violation of Policy
12/13/11	12-066	Facilities Services Division; Violation of Policy and Ethics Code
12/22/11	12-077	Facilities Services Division; Violation of Policy
12/22/11	12-118	Whistleblower Complaint
01/03/12	12-067	Business Unit; Theft
01/05/12	11-409	High School Principal and School Administrative Assistant; Payroll Fraud
01/12/12	11-415	High School Coach; Violation of Policy
01/23/12	11-373	Facilities Services Division; Conflict of Interest
01/31/12	11-394	Contractors; Contract Fraud
01/31/12	12-004	Local District Administrator; Conflict of Interest
02/03/12	12-159	High School Assistant Principal; Theft of Public Funds
02/14/12	12-157	Facilities Services Division; Violation of Policy
02/22/12	11-393	Middle School Administration; False Documents
02/22/12	12-034	Elementary School Teacher; Theft
02/22/12	12-138	Whistleblower Complaint
03/26/12	12-172	Middle School Principal; Violation of Policy
03/30/12	12-226	Middle School Teacher; Violation of Policy
04/06/12	12-081	Middle School Administrators; Violation of Policy
04/06/12	12-236	Middle School Teacher Consultant; Payroll Fraud
04/20/12	12-171	Procurement Services Division; Violation of Policy
04/20/12	12-240	Elementary School Principal; Misappropriation of Funds
05/04/12	09-016	Charter School; Misappropriation of Funds
05/04/12	12-237	Coordinators; Violation of Policy
05/04/12	12-263	High School Athletic Coach; Violation of Policy
05/07/12	12-158	Donation of Funds; Violation of Policy
05/16/12	12-251	Employment Eligibility; Violation of Policy
06/08/12	12-290	Contractor; Violation of Policy
06/25/12	12-016	Charter School; Misappropriation of Funds

APPENDIX 3

Board of Education
Bond Oversight Committee
Executive Officer of the Board
Superintendent
Senior Deputy Superintendent
General Counsel

Know about fraud, waste or abuse?

Tell us about it.

Maybe you are a School District Employee, or maybe you are a private citizen. Either way, you are a taxpayer.

Maybe you know something about fraud, or waste, or some other type of abuse in the School District.

The Office of the Inspector General has a hotline for you to call. You can also write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

Call the hotline:

**(213) 241-7778
or
(866) LAUSD-OIG**

Write to us:

**Fraud Hotline Center
333 S. Beaudry Ave., 12th Floor
Los Angeles, CA 90017**

Website:

www.lausdoig.org